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FDIC, RTC FILE \$6.8 BILLION IN CLAIMS AGAINST DREXEL

The Federal Deposit Insurance Corporation and the Resolution Trust Corporation today filed \$6.8 billion in claims against Drexel Burnham Lambert to recover money lost by more than 40 failed savings and loan associations in junk bonds and other securities transactions.

The filing with the Federal Bankruptcy Court in New York City states that Drexel, in concert with others, willfully "plundered the S&Ls" through "bribery, coercion, extortion, fraud and other illegal means." The filing also alleged that Drexel monopolized the junk bond market and maintained the appearance of "a market for junk that would not otherwise exist," thereby deferring or disguising losses on S&Ls' junk bond portfolios.

L. William Seidman, Chairman of the FDIC and the RTC, said the agencies expect to refine their claims as investigators develop more information.

"Without question, our Drexel investigation is among the most extensive ever undertaken by federal banking agencies," Mr. Seidman said. "The FDIC and the RTC have located and reviewed more than five million pages of documents. We have interviewed personnel at hundreds of failed institutions. But we still have much more to do to ensure that we identify and recover all the losses caused by Drexel. The American taxpayers, who are paying the bill for the S&L bailout, expect no less from us."

Mr. Seidman noted that the FDIC and RTC also expect to pursue recoveries from two restitution funds totalling \$750 million from Drexel and former Drexel official Michael Milken which are being administered by the Securities and Exchange Commission. In addition, the FDIC and RTC are considering possible civil claims against Drexel, Milken and other participants in the frauds against S&Ls.

Today's filing by the FDIC and RTC includes charges that Drexel made material misrepresentations about the sale of junk bonds and gave payoffs to managers of certain S&Is who were willing to use their institutions as part of their scheme. The agencies said Drexel also engaged in pervasive anti-competitive practices and made threats of stock manipulation against public companies if they did not retain Drexel as an investment banker.

The agencies cited violations of federal and state securities, fraud and antitrust laws, as well as the federal RICO law against organized crime. The junk bond losses to date total approximately \$2 billion, but the damages sought would be trebled under the organized crime and antitrust laws to produce a \$6 billion claim for junk bond damages. In addition, the filing includes other claims on behalf of 15 failed institutions for more than \$800 million in damages. These include a \$517 million claim previously filed in federal court in Dallas on behalf of Guaranty Federal Savings and Loan of Dallas, alleging fraud in government securities sales.

Alfred J.T. Byrne, General Counsel of the FDIC and RTC, said: "Our lawyers, investigators and outside advisors have worked vigorously to uncover and document relevant facts and grounds for recovery. We believe our claims against Drexel speak for themselves and are well founded."

Due in part to the scope of the investigation and numerous obstacles encountered by the two agencies, the FDIC and the RTC last month petitioned the court to grant an extension of the November 15 deadline for asserting claims against Drexel and its subsidiaries in bankruptcy. Today's court filing by the FDIC and RTC is intended to protect the agencies' existing claims if the November 15 deadline is not extended by the bankruptcy court. If the extension is granted, the agencies will file additional or amended claims uncovered by the ongoing investigation.